

A nonprofit organization created to provide instruction and guidance to low-income families in need of adequate housing and interested in building their own homes may be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

An organization created under the not-for-profit corporation laws of a State to provide instruction and guidance to low-income families in need of adequate housing and interested in building their own homes has applied for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization's activities, which are directed toward assisting low-income families obtain improved housing, include (1) conducting a training course relative to various aspects of housebuilding and homeownership, (2) coordinating and supervising joint construction endeavors, (3) purchasing building sites for resale at cost, and (4) lending aid in obtaining home construction loans. No charge is made for any of these services.

The organization is financed by public contributions and Federal grants.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable and educational purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations defines the term 'charitable' as including relief of the poor and distressed or underprivileged, lessening the burdens of government, and promotion of social welfare by organizations designed to combat community deterioration.

Section 1.501(c)(3)-1(d)(3)(i)(b) of the regulations defines the term 'educational' as including the instruction of the public on subjects useful to the individual and beneficial to the community.

The organization's training of low-income families on various aspects of housebuilding and homeownership is 'educational' since the training is useful to and develops the capabilities of the individuals who receive it and benefits the community. The organization's other activities in assisting families in need to obtain adequate housing are 'charitable' since they provide relief to the underprivileged, lessen the burdens of government, and are a means of combatting community deterioration.

Accordingly, the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under

section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.